

# The aftermath of an economic earthquake

For those who can identify the emerging opportunities, recession throws up and turn them around to their benefit, success is assured



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**I**N THE early hours of a cold, unsettled December 11, 1967 a powerful earthquake struck Koyna, a town in Maharashtra. At a frightening 7.5 on the Richter scale, it remains the most powerful earthquake to ever jolt the state, claiming 125 lives and injuring over thousands not to mention the vast loss to crops and property. What is worthy of note here is that Koyna had a dam. It was meant to be a seismically safe zone. And yet, the earthquake turned out to be a multiple seismic disaster creating aftershocks long after the main earthquake was over with tremors felt as far as Mumbai and Pune.

Let's move the spotlight to 2008. The current global recession, dubbed as the 'mother of all depressions', has an uncanny resemblance to the above mentioned earthquake.

The world was basking in the glow of sterling economic growth rate when the quake set in. Governments, financial institutions, experts... all had nurtured the impression that we are 'safe'. And yet the economic quake struck with such intensity that the world was taken by surprise. Questions such as 'How could such a disaster happen?', 'Why hadn't anyone detected it beforehand?' and 'What are we going to do now?' resounded worldwide, creating an air of disbelief and shock.

The economic earthquake set in motion in the US in 2007 has now fully erupted into a complete global recession that will continue to impact global economy and finances over the years to come.

But were we really unaware of the impending storm? Similar to the warnings given by birds, insects and animals before an earthquake strikes, we were warned by the rumblings of the subprime loan mess in 2007. An imperceptible 3 on the Richter scale, it was just a crack. Yet it had the potential to reach 7 on a Richter, which it did in October of 2008. The resounding collapse of Wall Street created economic 'seismic' waves causing widespread damage. The resulting aftershocks and tremors are still being felt and are still causing major, irreversible damage to bonds, stocks, banks and global financial firms.

The credit crisis saw Merrill Lynch gone—sold to Bank of America for \$44 billion. USA's most trusted bank Lehman Brothers vanished and JP Morgan Chase was sold for \$25 billion to Bank of America in the bailout by the government. In Germany the collapse of Hypo Real Estate may indicate a similar disaster as the bankruptcy of Lehman Bros was to the US. Like landslides, fires, or floods following major earthquakes, bankruptcies have been hitting all the sectors of economy be it manufacturing, telecom, consumer retails or services. Despite a \$700 billion bailout of Wall Street by the Bush administration and up to \$2.25 trillion in public money allocated to prop up major banks and financial firms, the tsunami of recession shows no signs of ebbing.

Does this incident have a message for us all? As President Barack Obama said: "Let us remember that if this financial crisis taught us anything, it's that we cannot have a thriving Wall Street while Main Street suffers." Clearly, growth must be all-inclusive and based on realistic standards. Becoming successful is a lot easier than staying successful. And ironi-

cally, the icons of financial success, the pillars of economic stability, themselves fell into this trap.

All said and done, had we scrutinised the rumblings in 2007, we might have averted this disaster. Technology has enabled us to predict earthquakes to some extent. We need a similar early warning system to alert us to future economic crises. Then again, if we had a support structure akin to a Seismic retrofit—special features that are built into buildings to enable them to bear the jolts of an earthquake—we might not have suffered so badly. The need of the hour is a global and financial 'retrofit' that would help us weather similar shocks in the future.

However, this very same economic upheaval not

imperative for companies across the board to embrace Green practices. In fact, going Green should become one of the core targets of every company. Otherwise the world will have to pay a huge price for whatever economic progress achieved.

The fourth mega trend is the emergence of new industry structures. At HCL, we work on fairly loosely-held ecosystems that are not defined by ownership, but by requirements on an ongoing basis. Characterised by flexibility, these structures could feature new products such as a wireless device used for exchanging and transferring money. In fact, this technology is very much under experimentation at the Indian Institute of Science. However, a



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just carries prospects of recovery and renewal, but big opportunities for growth. Large seismic activities change geographies. Similarly, economic quakes establish new rules, throw up new opportunities and redistribute power. Those who identify these opportunities grab them and turn them around, become the new rulers of the new economy. Overall, there are five mega trends that we must watch out for in the aftermath of this global economic earthquake.

First, the markets are clearly shifting east. The IMF forecasts that the main economies will shrink and the burden of keeping the world economy moving will fall on big emerging economies like India and China. For example, a century ago Europe demanded commodities and services, attracting the world's attention and hence revving up off-shore economies and creating global wealth. Similarly, the focus is now shifting East. The heightened demand for varied range of goods and services will regenerate global financial firms and restart the spluttering engines of advanced economies. This opportunity is under explored and for companies on a lookout, it is a splendid time to start digging.

The second mega trend is the shifting battlefield for talent. For a long time India has had a strong lead here but getting talent now is no longer as easy as it used to be. The demand greatly surpasses the availability and that's because our education system is greatly outmoded. Our universities teach a lot of theory, but hardly impart skills to manage real life challenges. Moreover, industry-relevant training is almost never imparted. Therefore, the war for talent is going to get tougher, and stakeholders will have to come together urgently to manage this crisis.

The third mega trend is the increasing stress on our environment. Apart from rising pollution levels, a growing economy will lead to an increasing demand for natural resources. The grim fact is that the already embattled ecosystem cannot take any more strain without serious consequences. Therefore, it is

defined organisation would find it virtually impossible to create something like this.

The fifth and the last mega trend is the ubiquitous access of information technology. Way back, Lew Platt, chairman and CEO of HP, was asked: "What do you think will make India change itself completely?" He answered: "Technology." Information is changing the economics of knowledge. For instance, cable technology has enabled people to see anything happening anywhere in the world, whipping up their emotions and inspirations. People think that if that is what somebody else has and if that is how they get something, even they will just go about and get it.

In these testing times it is but logical that only the fittest will survive. And those who look for hidden opportunities will not only survive, but thrive. Fortunately, India has been largely left unscathed by the recession, thanks to our strong economic fundamentals resulting from our unique approach in embracing global market trends. According to management guru, Dr Jagdish N Sheth, recession teaches us how to survive and pushes us to innovate. It compels people to become enterprising and create the current needed to push the economy out of the slush and stagnation. At such times entrepreneurs are born and businesses sprout creating new employment opportunities. For corporate houses, it is a time to restructure and redesign their work universe using innovative, cost effective and futuristic tools to maximise their resources.

Times of change always brim with opportunities. For those who can rise above the dismal outlook, identify the emerging opportunities and turn them around to their benefit, success is assured. All one needs is foresight, vision and a dream to map the future.

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